

Paradee, Insurance Commissioner Navarro, Introduce Bill to Create Fair Auto Insurance Rating Standards

Measure helps ensure Delawareans are judged on driving record, not personal factors such as credit score or age

DOVER – Delawareans shopping for automobile insurance policies would no longer have their price quotes impacted by their age, marital status, credit, income or other personal life decisions under proposed legislation filed Thursday by Rep. Trey Paradee and backed by Delaware Insurance Commissioner Trinidad Navarro.

Recent research and news articles reveal that there has been a huge surge in auto insurance premiums across the country and issues with rating standards that take into account more than just a person's driving record. According to a report from the Consumer Federation of America, insurance expenditures in the United States have risen more than 40 percent during the past 25 years.

Without established guidelines, insurance companies can base rate quotes for auto policies on factors that are not related to driving habits, such as age or socioeconomic status.

An exposé from Consumer Reports, which analyzed more than 2 billion auto policy price quotes, found that companies can use credit history to determine quotes. Transparency is also an issue when consumers seek information about the price of their car insurance policy.

House Bill 80 establishes a set list of rating factors for determining rates and premiums related to automobile insurance policies. Those factors include: a person's at-fault accident history and safety record, the number of miles the motorist drives annually, and years of driving experience. It also requires insurance companies to offer a good driver discount plan to all qualified drivers. Similar legislation has passed in California, Hawaii, Maryland and Maine.

"Delawareans deserve to be judged on their driving history when they are shopping for car insurance policies, and not have personal details about their lives such as age, marital status or credit score adversely affect the price of their insurance quotes," said Rep. Paradee, D-Dover West. "Living expenses continue to rise in Delaware – from the cost of health care to even the prices at the grocery store – and we need to make sure that Delawareans are getting the most affordable, fair insurance they can."

According to the National Conference of State Legislatures, insurance companies use credit history to assess a consumer's level of risk before selling various policies. However, experts say that places the consumer at a disadvantage.

"I believe that the practice of using a social and economic status to set car insurance rates is unfairly discriminatory. Drivers should be rated on how they drive—not who they are," said Insurance Commissioner Navarro. "This bill will lead to a fair and more affordable marketplace for consumers by establishing relevant factors for companies to use that directly relate to an individual's risk and history as a driver."

AARP Delaware, which represents Delawareans over age 50, supports the measure as well since it will establish fair, equitable rate standards in setting automobile insurance rates in Delaware. Though consideration will be given to the number of years of driving experience, the organization is glad to

see that other key factors will also be taken into consideration.

“Older individuals depend heavily on their automobiles for transportation. They are keeping licenses longer and driving more often. The incidence of older driver crash deaths and fatal crash involvements have declined steadily during the decade from 1997 to 2008,” said Lucretia Young, AARP Delaware State Director. “For these reasons, AARP encourages policymakers to prohibit companies from refusing to insure people, raising premiums, or limiting coverage based on age alone or in an arbitrary or unfair manner.”

If passed, Delaware’s law would take effect Jan. 1, 2018. Sen. Margaret Rose Henry is the prime sponsor in the Senate, with Rep. Helene Keeley and Sen. Brian Pettyjohn as co-prime sponsors.

“I made a promise that, as Insurance Commissioner, I would level the playing field between the insurance companies and the consumers. The introduction of this bill is a major step forward in delivering on that commitment,” Commissioner Navarro said. “I know, however, that this is not an easy task before us. I am honored to be joined on the frontlines of this cause by great consumer champions with Senators Henry and Pettyjohn, and Representatives Paradee and Keeley as the sponsors of this bill.”

HB 80 has been assigned to House Economic Development/Banking/Insurance/Commerce Committee.

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